

**ORIGINAL**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS )  
POWER & LIGHT COMPANY FOR )  
APPROVAL OF DEMAND SIDE )  
MANAGEMENT ADJUSTMENT FACTORS )  
FOR ELECTRIC SERVICE FOR THE )  
MONTHS OF JANUARY TO JUNE, 2015 IN )  
ACCORDANCE WITH THE ORDERS OF )  
THE COMMISSION IN CAUSE NOS. 43623, )  
43911, 43960, 44328, AND 44441, AND )  
PENDING APPROVAL OF PROPOSED )  
PROGRAMS AND COST RECOVERY IN )  
CAUSE NO. 44497 )

CAUSE NO. 43623 DSM 10

APPROVED: DEC 30 2014

ORDER OF THE COMMISSION

**Presiding Officers:**

**David E. Ziegner, Commissioner**  
**David E. Veleta, Administrative Law Judge**

On October 3, 2014, Indianapolis Power & Light Company (“IPL” or “Petitioner”) filed its Verified Petition for Approval of Demand Side Management (“DSM”) Adjustment Factors for electric service for the months of January through June, 2015. IPL’s petition was filed in accordance with Orders issued by the Indiana Utility Regulatory Commission (“Commission”) in Cause Nos. 43623, 43911, 43960, 44328 and 42693 S1, and the provisions of Standard Contract Rider No. 22, Core and Core Plus Demand Side Management Adjustment approved therein (“Rider 22”).

On October 3, 2014, IPL also prefiled its direct testimony and exhibits in this proceeding. On November 14, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled its direct testimony and exhibits. On November 21, 2014, IPL filed its rebuttal testimony and exhibits.

An evidentiary hearing was held in this Cause on December 3, 2014, at 9:30 a.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. IPL and the OUCC attended the evidentiary hearing, at which their respective prefiled testimony and exhibits were admitted into the record without objection.

The Commission, having considered the evidence and applicable law, finds as follows:

**1. Notice and Jurisdiction.** Notice of the public hearing conducted by the Commission was given and published as required by law. IPL is a “public utility” as defined in Ind. Code § 8-1-2-1. The Commission’s Orders in Cause Nos. 43623, 43960, and 44328

approved an adjustment mechanism for IPL's recovery of costs associated with its DSM Program through a DSM adjustment mechanism. On December 17, 2014, in Cause No. 44497, the Commission approved IPL's 2015-2016 DSM programs and associated ratemaking treatment for such programs, via IPL's Rider 22. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes in IPL's schedules of rates and charges. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Petitioner's Characteristics.** IPL is an electric generating utility and a corporation organized and existing under the laws of the State of Indiana, with its principal place of business located in Indianapolis, Indiana. IPL is lawfully engaged in rendering electric public utility service in the State of Indiana. IPL owns, operates, manages, and controls, among other things, plant and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public.

**3. IPL Case-In-Chief.** IPL presented the testimony of three witnesses in its case-in-chief: Lester H. Allen, IPL's DSM Program Development Manager; Craig Forestal, Director of Regulatory Accounting for IPL's Service Company; and Kimberly Aliff, a Research Analyst in IPL's Regulatory Affairs department.

Mr. Allen explained that at the time of IPL's filing in this Cause, IPL did not have authority to implement its proposed 2015-2016 DSM Plan, as approval for IPL's proposed 2015-2016 DSM programs was pending before the Commission in Cause No. 44497. Mr. Allen explained that the 2015-2016 DSM programs are for the most part an extension of those allowed in former proceedings, consolidating some programs for cost-effectiveness, and removing under-performing programs. Mr. Allen further explained that because Senate Enrolled Act 340 ("SEA 340") precludes the use of a statewide third-party administrator, IPL will be delivering all of the DSM programs to customers and is no longer distinguishing between "Core" and "Core Plus" Programs. Mr. Allen testified that the historic DSM programs at issue in this proceeding, with limited modifications, were initially approved by the Commission in the 43623, 43911 and 43960 Orders. Most recently, the authority for IPL to offer DSM programs in 2014 was approved in the Commission's Order in Cause No. 44328, which allowed IPL to offer all of the Core and Core Plus electric DSM programs that were previously offered prior to 2014, except the High Efficiency HVAC program, which IPL ceased to offer after December 2013. In its 2015-2016 DSM Plan, IPL proposed to no longer offer two residential programs and two C&I programs that were previously offered in 2014, and to offer one new program, the Small Business Direct Install Program.<sup>1</sup> IPL's proposed 2015-2016 DSM programs were summarized in Attachment LHA-1 to Mr. Allen's testimony and are as follows:

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<sup>1</sup> IPL has proposed to cease offering the Residential Renewable Energy Incentives Program, the C&I Renewables Energy Incentives Program and the C&I School Audit Program. The IPL OSB also decided in 2014 to cease offering the Residential New Construction program.

**Residential Programs**

Lighting  
Income Qualified Weatherization (performance incentive not requested)  
Air Conditioning Load Management  
Multi Family Direct Install  
Home Energy Assessment  
School Kit  
Online Energy Assessment w/ Kit  
Appliance Recycling  
Peer Comparison Reports

**Commercial & Industrial Programs**

Business Energy Incentive – Prescriptive  
Business Energy Incentive – Custom  
Small Business Direct Install  
Business Air Conditioning Load Management

Mr. Allen testified that the spending forecast for the period January through June 2015 (shown on Attachment CAF-2 to Mr. Forestal's testimony) is derived from the estimated expenditures proposed by IPL in Cause No. 44497, which was pending before the Commission at the time of IPL's filing in this Cause. The January through June 2015 forecasted costs in this filing are generally related to direct and indirect program costs, shared savings performance incentives, as well as deferred startup costs incurred in 2014 related to transitioning of certain programs from the current contracts to new contracts for the delivery of the programs. The forecasted performance incentives are based upon IPL's shared savings mechanism proposed in Cause No. 44497. Because IPL proposed, in Cause No. 44497, to defer lost revenues for subsequent recovery (as opposed to recovering such lost revenues on a current basis via Standard Contract Rider No. 22), the spending forecast in this filing does not include lost revenues. Mr. Allen further testified that the estimated energy savings for the period January through June, 2015, represent the expected energy savings from the proposed 2015-2016 DSM programs.

Mr. Allen testified that IPL is providing a true-up of the performance incentives for Core Plus Programs delivered pursuant to the Orders in Cause Nos. 43623 and 43960 that are eligible for such incentives. Attachment LHA-3 to Mr. Allen's testimony provides the true-up of the incentive calculation for the approximately 4 year period that Core Plus Programs were delivered. Mr. Allen explained that the results are based upon evaluation, measurement and verification ("EM&V") results determined by the third-party evaluator. The performance incentive mechanism was calculated based on two components. The first component measures the energy savings by comparing the projected kWh savings from installed measures and the actual kWh savings from installations. The second component measures the demand savings by comparing the projected kW savings from installed measures and the actual kW savings from installations. In addition, there are two separately calculated incentives for the Residential Sector Incentive and the C&I Sector Incentive. The incentive amount for each of these sectors is dependent on the amount of combined savings from each of the sector's individual programs. As shown on Attachment LHA-3 to Mr. Allen's testimony, IPL achieved 104% of the Residential

Core Plus performance and 162% of the Commercial and Industrial Core Plus performance. This achievement resulted in actual incentives of 12% and 15%, respectively.

In his testimony, Mr. Allen also gave an update as to the status of IPL's Oversight Board ("OSB"). He noted that IPL continues to meet monthly with the IPL OSB, and that IPL has worked collaboratively with the OSB to select an independent contractor to provide EM&V services for the DSM Programs. IPL will provide the final EM&V results for the Core Plus programs when the true-up for performance incentives is calculated.

Mr. Forestal testified that DSM program expenditures are forecasted semi-annually and reconciled to actual expenditures in a subsequent semi-annual filing. He noted that the performance incentive for the projection period was calculated by forecasting the net benefits of the programs (except for the income-qualified weatherization program) and multiplying those net benefits by 15% (IPL's proposed share of the proposed shared savings incentive mechanism). He testified that all of these projected amounts will be reconciled to actual plan expenditures, actual kWh consumption, and actual incentives earned in a subsequent DSM filing.

Mr. Forestal noted that in DSM-9, IPL was charging "Opt Out Customers" a rate of zero for the July through December 2014 period, and now, in DSM-10, those rates are changing. For DSM-10, these "opt out" rates will reflect reconciliations of prior period costs, as well as forecasted EM&V costs related to the 2014 programs. Mr. Forestal explained the prior periods reconciliations for opt-out customers include the following: (i) the difference between actual and estimated direct program costs incurred for the first 6 months of 2014; (ii) the difference between projected performance incentives on projected expenditures and projected performance incentives on actual expenditures for Cause No. 43960 for the first 6 months of 2014; (iii) the difference between projected DSM revenues and actual DSM revenues for the first 6 months of 2014; and (iv) a true up of performance incentives for the period from April 2010 to December 2013.

Attachment CAF-2 to Mr. Forestal's testimony showed the projected DSM expenditures by cost type and by customer charge type for each DSM program for the period January through June 2015; the projected shared savings (by cost type and by customer charge type) for January through June 2015; and the calculations of rates IPL is proposing be included in Standard Rider 22 for each of its customer classes for the period January through June 2015. Mr. Forestal noted that the projected program expenditures include an estimate of 2015 program start-up costs that IPL expects to incur in 2014 and defer for recovery in this proceeding. Attachment CAF-2 also showed how costs are allocated to IPL's various rate classes, based on prior allocation factors approved in the Order in Cause No. 43960.

Mr. Forestal testified that the proposed DSM Adjustment Factors for Opt-Out customers are as follows: \$0.000848 per kWh for Rates SS, SH, OES, UW and CW (with associated Rate SS service); and \$0.000548 per kWh for Rates PL, PH and HL. The proposed DSM Adjustment Factors as modified to recover Indiana Utility Receipts Tax will be \$0.000861 and \$0.000556 per kWh, respectively. Mr. Forestal testified that the resulting DSM Adjustment Factors for the Non Opt-Out and Residential customers are \$0.003439 per kWh for Rates RS and CW (with associated Rate RS service); \$0.003004 per kWh for Rates SS, SH, OES, UW and CW (with

associated Rate SS service); and \$0.002562 per kWh for Rates PL, PH and HL. The proposed DSM Adjustment Factors for these rate classes, modified to recover Indiana Utility Receipts Tax, will be \$0.003491, \$0.003050 and \$0.002601 per kWh, respectively.

Attachments CAF-3, CAF-4, and CAF-5 to Mr. Forestal's testimony showed the reconciliation of projected and actual DSM expenditures for Cause No. 43960 (including ACLM program credits given to IPL customers in 2014 and an estimated performance incentive as approved in the Order in Cause No. 44328); an update of target performance incentives; and a reconciliation of estimated and actual revenue. Attachment CAF-6 to Mr. Forestal's testimony showed the reconciliation of target performance incentives on actual expenditures to actual performance incentives on actual expenditures, from April 2010 through December 2013.

Ms. Aliff testified that as of July 1, 2014, there were 42 eligible customers that opted out of participation in IPL's DSM programs, representing about 1.8 million MWhs of energy usage annually – nearly half of eligible industrial customers' load. She explained that IPL utilized load research data for the 12 months ended June 30, 2014 to determine the current relationship between Small C&I and Large C&I in order to reflect the impact of the opt-out customers. Ms. Aliff explained that, for the forecasted C&I DSM program costs, the rate class allocation factors are based on each class' share of the twelve monthly average system peaks updated as of June 30, 2014. She testified that the allocation factors shown on Attachment KA-1 are based upon the relationship of the Small C&I and Large C&I allocation factors after excluding the customers who have opted out. Ms. Aliff's testimony also addressed the calculation of projected shared savings incentives, as shown by program on Attachment KA-2, and the fixed and trailing costs that IPL is proposing to recover from customers that have opted out.

**4. OUCC's Case-In-Chief.** The OUCC presented the testimony of Crystal L. Thacker, a Utility Analyst for the OUCC. Ms. Thacker's testimony addressed IPL's projections of DSM program costs and performance incentives, IPL's true up of performance incentives related to the delivery of Core Plus programs, IPL's cost allocation factors, and IPL's reconciliation of DSM program expenditures. Aside from noting relatively large variances for the reconciliation of two programs (which the OUCC investigated and ultimately did not oppose), the only aspect of IPL's filing with which Ms. Thacker took issue was IPL's projection of performance incentives using a shared savings mechanism as proposed in Cause No. 44497. Ms. Thacker testified that the Commission had not yet issued its order in Cause No. 44497, thus IPL's proposed shared savings mechanism had not been approved. Accordingly, the OUCC recommended that the Commission require IPL to recalculate the proposed DSM Adjustment Factors by removing the currently requested \$1,735,245 in shared savings incentives and instead use IPL's previously approved tiered performance incentive methodology to calculate shareholder incentives, subject to refund, pending the Commission's ruling on shareholder incentives in Cause No. 44497. Ms. Thacker emphasized that IPL should use the shareholder incentive methodology ultimately approved by the Commission in Cause No. 44497 to recalculate its permitted shareholder incentives for 2015, with its DSM cost tracking mechanism to be adjusted and reconciled accordingly.

**5. IPL Rebuttal Testimony.** IPL witness Forestal responded to Ms. Thacker's concern about the calculation of projected shared savings incentives. He explained that IPL

anticipates that the Commission will issue an Order in Cause No. 44497 before the end of 2014. If so, such Order will address IPL's proposed DSM Plan and performance incentives prior to the date that the proposed DSM-10 factors in this proceeding are requested to go into effect. He emphasized that IPL will implement, and ultimately reconcile to, a performance incentive mechanism that is consistent with Commission approvals. However, in order to address the OUCC's concerns about projected incentives being based upon an incentive structure still pending before the Commission, Mr. Forestal testified that IPL is agreeable to the following: (1) if the Commission issues its final order in Cause No. 44497 by December 24, 2014, IPL will implement DSM-10 adjustment factors in January using the performance incentive mechanism approved in the Cause No. 44497 Order; (2) if the Commission does not issue a final order in Cause No. 44497 until after December 24, 2014, IPL will implement alternative DSM-10 adjustment factors based on the existing tiered performance incentive percentages, applied to all program expenditures (except the income qualified weatherization program), to be later reconciled in a subsequent DSM-XX filing, as recommended by OUCC. This reconciliation will be consistent with the performance incentive mechanism approved in Cause No. 44497.

Mr. Forestal testified that IPL has prepared revised DSM Adjustment Factors reflecting the second scenario described above. He explained that the Scenario (1) DSM Adjustment Factors were reflected in IPL's initial proposed tariff, which was attached as Exhibit A to the Petition filed initiating this Cause. He testified that Alternative Attachment CAF-1 to his rebuttal testimony is an alternative tariff reflecting a scenario under which the Commission does not issue a final order in Cause No. 44497 until after December 24, 2014. Under this Scenario (2), IPL accepts the OUCC's recommendation of using IPL's existing tiered performance incentive percentages, applied to all program expenditures (except the income qualified weatherization program), as the basis for calculating projected DSM-10 costs and DSM Adjustment Factors, in the event that the Order in Cause No. 44497 is issued after December 24, 2014. Mr. Forestal explained that IPL utilized a target incentive of 8% of projected expenditures for the Scenario (2) alternative, consistent with what was included in its DSM-9 filing which resulted in the current DSM adjustment factors. Mr. Forestal further testified that, under this Scenario (2), IPL would reconcile any differences in subsequent DSM rider proceedings consistent with the performance incentive mechanism ultimately approved by the Commission in Cause No. 44497.

Mr. Forestal testified that there is no change to the resulting DSM Adjustment Factors for the Opt-Out Customers under Scenario (2). These adjustment factors are \$0.000848 per kWh for Rates SS, SH, OES, UW and CW (with associated Rate SS service) and \$0.000548 per kWh for Rates PL, PH and HL. The Scenario (2) DSM Adjustment Factors as modified to recover Indiana Utility Receipts Tax will be \$0.000861 and \$0.000556 per kWh, respectively, for such Opt-Out Customers. Mr. Forestal further testified that the resulting DSM Adjustment Factors for the Non Opt-Out and Residential customers under Scenario (2) are \$0.003460 per kWh for Rates RS and CW (with associated Rate RS service), \$0.002705 per kWh for Rates SS, SH, OES, UW and CW (with associated Rate SS service), and \$0.002282 per kWh for Rates PL, PH and HL. The DSM Adjustment Factors as modified to recover Indiana Utility Receipts Tax for such rate classes under Scenario (2) will be \$0.003513, \$0.002746 and \$0.002317 per kWh, respectively.

**6. Commission Discussion and Findings.** Petitioner's proposed DSM Adjustment Factors presented for approval in this Cause include projected costs for the period January

through June 2015, as well as reconciliations of prior costs. The only issue in dispute was the calculation of projected performance incentives, in light of the fact that IPL proposed a shared savings incentive mechanism in Cause No. 44497, which proposal was then still pending before the Commission. We note that, on December 17, 2014, the Commission issued its order in Cause No. 44497. In that Order, among other things, we approved IPL's proposed shared savings incentive mechanism. Accordingly, this disputed issue in this proceeding is now moot. Given our Order in Cause No. 44497, calculating IPL's DSM-10 Adjustment Factors by including projected shared savings incentives is appropriate and consistent with the ultimate outcome of Cause No. 44497. Therefore, we find that Petitioner's projected January through June 2015 costs, its proposed reconciliations of prior costs, and its proposed allocation of such costs are reasonable. We further find that the evidence presented in this Cause as discussed above supports approval of Petitioner's proposed DSM Adjustment Factors presented in its case-in-chief as reasonable. Accordingly, we approve the requested DSM Adjustment Factors, to become effective for the beginning of the first billing cycle for the billing month of January 2015.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. The Petition of Indianapolis Power & Light Company for approval of Demand Side Management Adjustment Factors for electric service as set out in Finding No. 6 above is approved.
2. Prior to placing into effect the approved DSM Adjustment Factors, IPL shall file with the Commission's Electricity Division a separate amendment to its rate schedules, reflecting that such charge is applicable to all of its filed rate schedules.
3. This Order shall be effective on and after the date of its approval.

**STEPHAN, HUSTON, AND ZIEGNER CONCUR; MAYS-MEDLEY ABSENT; WEBER NOT PARTICIPATING:**

**APPROVED:**      **DEC 30 2014**

**I hereby certify that the above is a true and correct copy of the Order as approved.**

  
**Brenda A. Howe**  
**Secretary to the Commission**